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Canada's New Government Funds Key Priorities for Canadians Through Targeted Tax Relief

Related document:

- Tax Expenditures and Evaluations 2006

The Department of Finance today released its annual *Tax Expenditures and Evaluations* report. The report provides details of the economic and social priorities that the Government of Canada funds through targeted federal tax credits and tax reductions. The revenue estimates and projections in the report reflect the substantial tax relief proposed in the Tax Fairness Plan and announced in Budget 2006. In the last year, this amounts to 29 new tax initiatives, including:

- Reducing the goods and services tax rate from 7 to 6 per cent.
- Allowing pension income splitting starting in 2007 to enhance the incentives to save and invest for family retirement security.
- Increasing the age and pension income credits by $1,000, effective 2006, thereby providing additional tax relief to low- and middle-income seniors and pensioners.
- Increasing the basic personal amount and permanently reducing the lowest personal income tax rate from 16 to 15.5 per cent.
- Introducing the Canada Employment Credit to provide recognition of work-related expenses incurred by employees for items such as home computers, uniforms and supplies.
- Implementing the new Apprenticeship Job Creation Tax Credit of up to $2,000 per apprentice per year to encourage employers to hire new apprentices and to support apprentices in their training.
- Introducing a tax credit for public transit passes to encourage individuals to use public transit, thereby reducing traffic congestion and lowering greenhouse gas emissions.

- Introducing a new textbook tax credit based upon $65 for each month of full-time post-secondary study and $20 for each month of part-time post-secondary study. Eligibility rules will be the same as those for the education tax credit.

- Allowing a full exemption from taxes of post-secondary scholarship and bursary income.

- Introducing a new children's fitness tax credit to promote regular exercise, balanced growth and healthy lifestyles among children.

This year's report also includes two analytical papers. The first paper, "Taxes on Business Investment: An International Comparison of Marginal Effective Tax Rates in the Manufacturing Sector," builds on last year's paper on marginal effective tax rates by comparing Canada's tax competitiveness, not only with the U.S., but also with 34 other countries.

The second paper, "Investing in Post-Secondary Education: The Impact of the Income Tax System," examines how the tax system affects the return on investment in post-secondary education, taking into account not only initial tax support, such as the tax credit for tuition expenses, but also the additional income taxes generated from higher salaries.

Tax Expenditures and Evaluations may be viewed on the Department of Finance website. Printed copies are available for $15.85 from the Department of Finance Distribution Centre at 613-995-2855.

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